NATIONAL
State of the Assets
PILOT 2012

A REPORT PREPARED BY JEFF ROORDA AND ASSOCIATES
FOR THE AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

NOVEMBER 2012

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JRA Jeff Roorda and Associates
November 2012

Jeff Roorda and Associates (JRA) was engaged on the instructions of the Australian Local Government Association ("ALGA") to undertake a pilot study as phase one of a National State of the Assets reporting process.

The results of JRA's work, including the assumptions and qualifications made in preparing the report, are set out in this report dated November 2012 ("Report"). You should read the Report in its entirety including the applicable scope of the work and any limitations. A reference to the Report includes any part of the Report. No further work has been undertaken by JRA since the date of the Report to update it.

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1 Executive Summary

1.1 BACKGROUND

In October 2010, the Australian Local Government Association (ALGA) reported on the status of local government road assets. The report "The Local Roads Funding Gap, Study of Local Roads Funding in Australia 1999–2000 to 2019–2020" identified the estimated value of the local roads funding renewal gap at that time, and made a number of recommendations relating to the funding and management of road assets.

The ALGA has now commissioned a National State of the Assets Report. The initial phase of this project is a pilot study to determine whether councils have the necessary data and information to meaningfully contribute to this process. The State of the Assets report process aims to provide technical underpinning to the broader Roads to Recovery (R2R) initiative and builds on the 2010 study and associated report.

A steering committee with members drawn from ALGA's Roads and Transport Advisory Committee (RTAC) has provided oversight for the project.

This report represents the outcome from the first phase of the ALGA examination of the current status of local government road assets. There are three key elements to Phase 1 of this project:

1. A Pilot of the proposed concept through testing the assumptions, agreeing performance indicators (Condition/quality, function, capacity/utilisation), capturing data and analysing the data and information;
2. Development of national methodology to be used periodically on a consistent basis; and
3. Reporting of the results to key local government stakeholders.

For the purposes of this work, road assets have been categorised as including sealed roads, unsealed roads and bridges (concrete and timber).

1.2 THE PILOT REPORT

The National State of the Assets Pilot report 2012:

- Summarises the outcomes of the pilot project undertaken with 55 local governments from across Australia;
- Confirms the concept to be used for broader application during Phase 2 of the project;
- Confirms the efficacy of the performance indicators that have been selected;
- Assesses the maturity of councils in relation to adoption of the National Framework on Asset Planning and Management and associated implementation of Asset Management Plans (AMPs);
- Provides an analysis of the outcomes of the initial assessment of local roads for the selected councils; and
- Provides an outline of the national self assessment and reporting methodology that is to be used in future years.

It was originally intended that this first phase be undertaken over a longer period of time with fewer councils originally involved. However the steering committee determined that an acceleration of effort was justified in order for stakeholders to gain an appreciation of the National State of the Assets in local government at this time and to support ongoing conversations at the whole of government level.

Stages 1 (10 councils) and 2 (40 councils) have been accelerated into a single stage covering 55 councils. 80% of these councils have asset management plans and 70% have long term financial plans.

1.3 FINDINGS

FINDING 1

State of the Assets Reporting is achievable

55 selected councils were able to report on the state of the assets under management. 80% of these councils had asset management plans.

The various Local Government Associations in each State and the Northern Territory identified a number of councils to participate in this pilot process. A simple web-based tool was developed with individual access provided to each council.

Councils are familiar with assessing infrastructure in terms of quality (condition) and expressed a high degree of confidence in the data provided for that element. Councils expressed a lower degree of confidence in the data provided for functionality and capacity.

Councils with asset management plans will be able to contribute to the broader data collection process without a significant resource burden. Councils that have not yet developed asset management plans will also be able to contribute to the process, with a lower degree of confidence in the data provided.

FINDING 2

There are significant benefits and low costs in extending State of the Assets reporting to all councils in Australia

The data obtained from the reporting process provides an appropriate level of detail for the assessment of the national state of the assets being managed by local government. The data will enable an assessment to be made of the quality, functionality and capacity of the assets and lead to periodic assessments being available to measure and report on any deterioration in the assets.

A failure to appropriately invest in renewals expenditure will result in a decline in service levels in the medium to long term. Monitoring this position is essential to informed Government policy on infrastructure investment and the management of community risks.

The 2010 ALGA report[1] indicated that future projections of maintenance and renewal for the next 15 years showed that current levels of expenditure would need to increase by an average of $1.2 billion per year to avoid deterioration of the local road network.

1 The local roads funding gap. A study of local roads funding in Australia 1999-2000 to 2019-2020. Jeff Roorda and Associates for Australian Local Government Association.

This was previously highlighted in the 2006 PwC report[2] which found that:

- the potential aggregate backlog for all 700 Australian local councils across the country was approximately $14.5 billion (possible range of $11.5 billion to $16.1 billion);
- an annual sustainable funding gap of $1.1 billion (potential range of $0.9 billion to $1.24 billion);
- the estimated funding gap per annum to cover the backlog and the annual underspend (which needs to be funded via savings or extra revenue/grants) is $2.0 billion (potential range of $1.8 billion to $2.3 billion); and
- between 10% to 30% of councils nationally may face sustainability challenges.

FINDING 3

State of the Assets reporting will identify financial sustainability challenges

Infrastructure is a whole of Government responsibility. State of the Assets reporting is essential to proactively highlight and communicate emerging service level and risks for councils and communities.

Councils are identifying a range of assets in each class as being in a poor or very poor state currently. For example, for sealed roads, the 55 councils indicate that $18.9 billion is under management, with the following being regarded as in a poor /very poor state:

- By Quality – $2.2 billion
- By Functionality – $1.6 billion
- By Capacity – $2.1 billion

55 councils have contributed data on the quality, functionality and capacity of roads and bridges infrastructure. The sample of 55 councils included in the pilot study have indicated that:

- **Quality** – the majority of the road and bridge infrastructure demonstrates high levels of quality and is currently able to meet service expectations. However, a large proportion of timber bridges are in a poor condition and, similarly unsealed roads have a significant proportion of assets in poor condition.
- **Functionality** – the majority of the assets are fit for purpose and remain functionally appropriate. A significant proportion of unsealed roads are considered to be demonstrating poor functionality.
- **Capacity** – The vast majority of the road and bridge assets are meeting capacity expectations. A small proportion only are not operating at expected capacity.
- **Confidence** – Councils have a high degree of confidence in the information associated with the quality of the assets under management, with the exception of unsealed roads where a medium level of confidence exists. Councils are indicating little confidence in the data associated with functionality and capacity for all asset classes.
- **Renewals** – The current state of sealed roads presents the greatest challenge to the sample of councils, with over $2 billion in value being regarded as poor or very poor in respect of Quality and Capacity.

Identifying emerging issues provides the basis for an appropriate whole of government response to be developed and implemented.

2 National Financial Sustainability Study of Local Government Commissioned by the Australian Local Government Association.

Mayors and Councillors are the key to the ongoing financial sustainability of Australian local governments. These elected representatives of the community are responsible for the short term and long term management of the local government area and its infrastructure, including transport infrastructure.

The decisions made by councils must ensure that the needs of the present generation are met without compromising the ability of future generations to meet their own needs[3]. Embedded in this view is the need for informed decisions to be made by the stewards of the current generation of service recipients, and these decisions will necessarily involve trade-offs between competing priorities.

1.4 REPORT SUMMARY

Local governments in Australia have been engaged in significant asset management planning activities for a number of years, and in some States these activities have been underway for more than a decade. Mayors and Councillors and other local government stakeholders have a right to expect that this concerted period of effort and cost will lead to improved outcomes for councils and communities.

The indications are that councils are getting very close to realising the benefits from this sustained period of activity.

The achievement of the first round of asset management plans in councils is a significant milestone. This process needs to ensure however that the risks and community consequences of affordable service levels are identified and form part of the decision making processes of Mayors and Councillors.

In many councils, asset management plans are seen to be technical rather than corporate strategic documents. This ignores that fact that evidence of the deterioration in quality or alteration of the asset's functionality or capacity objectives is needed to support options and advice provided to Mayors and Councillors.

The ALGA report of 2010 "The Local Roads Funding Gap" highlighted issues at that time associated with asset management planning and perceived funding shortfalls. This National State of the Assets report for the ALGA report builds on the 2010 report and seeks to understand the current state of infrastructure for a sample of councils. This report does not seek to value a perceived renewal backlog.

The current state of the road assets further underpins the work undertaken by the ALGA in 2010 to quantify the funding gap and identify mechanisms to improve the situation of the time. Asset management planning processes by councils have the potential to support Mayors and Councillors in the trade-off of priorities as an important aspect of their stewardship role.

Local government is moving quickly to implement asset management policies and processes that are in accordance with the National Asset Management Framework that has been agreed by Local Government and Planning Ministers. The Commonwealth's Local Government Reform Fund, together with support from Local Government Associations and key stakeholders, has accelerated efforts in recent years.

The report has a specific focus on roads and bridges but the challenge as a sector is to have asset management seen as a corporate strategic activity and not just be focused on roads and bridges. It is not possible to implement asset management planning effectively unless the process covers all assets, and corporate priorities and standards are set.

The recommendations acknowledge the vital role that key stakeholders play in supporting local government efforts to become and remain financially sustainable and their past support is recognised.

3 Drawn from Brundtland Commission report "Our Common Future" 1987.

1.5 RECOMMENDATIONS

The Australian Local Government Association should:

- Monitor via an annual process the actual physical state of the transport infrastructure managed by local government.
- Monitor the extent to which councils have implemented integrated planning processes that encompass asset management plans and long term financial plans as a minimum.
- Consider a national timetable for the achievement of properly formulated and complete asset management plans and long term financial plans.
- Report on the state of the transport infrastructure and any emerging trends in terms of the deterioration or improvement in those assets.

All Australian councils should:

- Separately identify planning for renewals as distinct from planning for new and upgrade projects.
- Ensure that the measurable physical state of the road infrastructure matches underlying asset management planning assumptions and projections.

State Local Government Agencies need to:

- Provide support to consistent monitoring and reporting of the current state of roads and bridges assets under management by local governments in each jurisdiction.

The Commonwealth Government should:

- Continue Local Government Reform Fund projects to further accelerate implementation of asset management planning and reporting in all councils.

2 Methodology for Pilot Phase

ALGA commissioned Jeff Roorda and Associates (JRA) to develop a National State of the Assets Report 2012 to build on the work undertaken by JRA in 2010 which looked at the gap in funding for local roads. This new Report was to provide a clearer picture about the state of local road assets in terms of quality, functionality and capacity. The focus for the review is sealed local roads, unsealed local roads, concrete bridges and timber bridges.

The ALGA, together with the Local Government Associations in each State and Territory, identified a number of councils for inclusion in the pilot phase. These councils were selected to include both urban and rural local governments in each State and Territory.

A simple web-based survey tool was developed and provided to the participating councils on 17 August 2012 with all responses due by 31 August 2012 with extensions of up to two weeks granted. The assistance of the councils in this project is greatly appreciated.

The asset management plan has two levels of reporting: community service level (good and very good/fair/poor and very poor) and technical. For the purposes of this work, the state of the local road assets has been reported at the community service level.

Councils also noted the confidence level attaching to the data being provided. This is a very useful perspective on the data being provided and the extent to which councils collect or assess the data.

Financial data was captured in respect of the gross current replacement cost as currently known by each participating council for each of the four asset classes.

Councils also contributed data in respect of the current status of development of asset management plans and long term financial plans.

As councils were selected to include urban and rural local governments, data has also been presented on this basis.

All data has been subject to a reasonableness review but has not been subject to audit. Where clarification was required, councils were approached directly and alterations made by the councils concerned. Non-material errors in allocations were corrected by the authors.

Data has been collated, analysed and presented in respect of:

- 55 councils, categorised by State and in terms of urban or rural using the Australian Classification of Local Governments (ACLG)[4]
- Sealed roads, unsealed roads, concrete bridges and timber bridges
- Quality of the infrastructure in terms of good or very good/fair/poor or very poor
- Confidence levels expressed as high, medium or low
- Gross current replacement cost for each infrastructure class
- Asset management plan development
- Long term financial plan development

The analysis and interpretations and views expressed are those of the authors.

4 The Australian Classification of Local Governments (ACLG) was first published in September 1994 and categorises councils using the population, the population density and the proportion of the population that is classified as urban for the council.

3 Definitions Used in this Report

The Report utilises 3 measures:

- **Physical condition** – the condition of the physical infrastructure that allows it to meet the intended service level.
- **Function** – the ability of the physical infrastructure to meet program delivery needs.
- **Capacity/utilisation** – represents the ability of the physical infrastructure to meet service needs.

A road can be used as an example to illustrate the use of the three classifications.

The presence of potholes would be an indicator of the physical condition of the road. The function aspect would be demonstrated by the ability of the road to meet the demands of the user in that the path from Point A to Point B would be the most direct and efficient route. Traffic congestion would indicate if the capacity/utilisation of the road was able to meet the user's service needs.[5]

For the purposes of this report, three gradings were used, based on:

1. Very good and good – grading 1 and 2
2. Fair – grading 3
3. Poor and very poor – grading 4 and 5

Additionally, councils were asked to identify the confidence level associated with the data being provided. The confidence levels were expressed as:

- High confidence – council has supporting data or information to support the assessment.
- Medium confidence – council has some supporting data or information and the assessment is largely based on professional judgement.
- Low confidence – council has little or no supporting data or information and the assessment is based on professional judgement only.

Condition data

IPWEA's *NAMS.PLUS2 Asset Management* recommends condition data be collected and held or be capable of conversion into a 1 – 5 scale as shown in Table 3.1.

TABLE 3.1 **NAMS.PLUS2 National Standard Condition Grading Scores**

Condition Grading	Description of Condition of the Asset
1	**Very Good**: only planned maintenance required
2	**Good**: minor maintenance required plus planned maintenance
3	**Fair**: significant maintenance required
4	**Poor**: significant renewal/rehabilitation required
5	**Very Poor**: physically unsound and/or beyond rehabilitation

Source: Based on IPWEA, 2011, IIMM, Table 2.5.2, Sec 2.5.4, p 2|79.

Condition data may be used to assist in estimating the year of acquisition and estimated remaining life.

5 Based on Cloake & Sui, 2002, p 8.

Function data

Function is the ability of the physical infrastructure to meet program delivery needs. Table 3.2 shows the five function gradings and descriptions.

TABLE 3.2 NAMS.PLUS2 Function Grading Scores

Function Grading	Description of Function of the Asset
1	**Very Good**: meets program/service delivery needs in a fully efficient and effective manner
2	**Good**: meets program/service delivery needs in acceptable manner
3	**Fair**: meets most program/service delivery needs and some inefficiencies and ineffectiveness present
4	**Poor**: limited ability to meet program/service delivery needs
5	**Very Poor**: is critically deficient, does not meet program/service delivery and is neither efficient nor effective

Source: Based on Cloake & Sui, 2002, p 9.

Capacity/Utilisation data

Capacity/Utilisation represents the ability of the physical infrastructure to meet service delivery needs. The five capacity/utilisation gradings and descriptions are shown in Table 3.3.

TABLE 3.3 NAMS.PLUS2 Capacity/Utilisation Grading Scores

Capacity/Utilisation Grading	Description of Capacity/Utilisation of Asset
1	**Very Good**: usage corresponds well with design capacity and no operational problems experienced
2	**Good**: usage is within design capacity and occasional operational problems experienced
3	**Fair**: usage is approaching design capacity and/or operational problems occur frequently
4	**Poor**: usage exceeds or is well below design capacity and/or significant operational problems are evident
5	**Very Poor**: exceeds design capacity or is little used and/or operational problems are serious and ongoing

Source: Based on Cloake & Sui, 2002, p 9.

4 The Proposed National Self-Assessment and Reporting Methodology – The State of the Assets

The methodology used in the development of this report is suitable for application to all Australian local governments, with minor amendments only being required. The methodology outlined in this section of the report is proposed for use in subsequent phases of the project with the objective of capturing data on transport infrastructure in terms of Inventory, Quality/Condition, Function/Safety and Capacity to Meet Demand based on asset management plans.

In all instances, councils will also be asked to indicate the current level of confidence in the data being provided.

The data to be collated, analysed and presented will be in respect of:

- All Australian councils, categorised by State and using the ACLG classification index.
- Further classification based on Indigenous or Non-Indigenous local government.
- Sealed roads, unsealed roads, concrete bridges and timber bridges.
- Quality of the infrastructure in terms of very good or good/fair/poor or very poor.
- Confidence levels expressed as high, medium or low in respect of each of Quality, Function and Capacity.
- Gross current replacement cost for each infrastructure class and a proportional allocation of gross current replacement cost into good or very good/fair/poor or very poor.
- Status of asset management plan development.
- Status of long term financial plan development.
- Extent to which financial projections from asset management plans are included in and integrated with the long term financial plan.

From this simple data set, the ALGA and other stakeholders can recognise the improvement or deterioration in local government infrastructure under management and the confidence levels associated with the data provided.

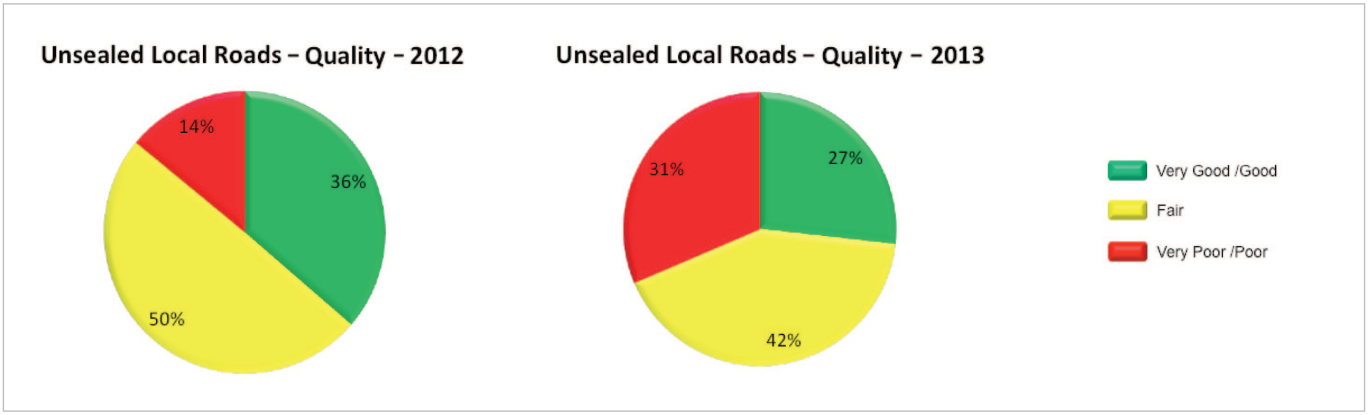
In 2013, a complete data set from all Australian local governments would be available for the first time. Data would then be available:

- in total for all councils
- by State or Territory
- by rural/urban or otherwise agreed classification
- for each of quality, functionality and capacity
- with associated confidence levels

In 2014, comparative data would be available for the first time, for direct comparison to each of the data elements of 2013. This would then allow an analysis of the movements in data.

An example of the graphical representation that will be possible is provided below, using mock data for 2012 and 2013 for the quality of unsealed local roads.

FIGURE 1 **Example only**



Individual councils will also be able to monitor trends over time in the data and the relationship between calculated infrastructure backlogs and the actual physical state of the infrastructure being managed as viewed from three different but related dimensions.

It is proposed that the State of the Assets reporting process be conducted annually using a web based data collection tool. The timing of the capture of the data should complement each State and Territory's grants commission process as a result of the common emphasis on road-related data, that is, July and August each year.

The data collected can be used to identify and value the deterioration of the infrastructure base of any individual council, group or type of council and the sector as a whole. This will enable whole of government consideration of the form and timing of a response.

5 Background Data

55 councils from across Australia contributed data to the project. These included both urban and rural councils, in accordance with the Australian Classification of Local Government (ACLG) index.

FIGURE 2 **Respondent councils by State and Territory**

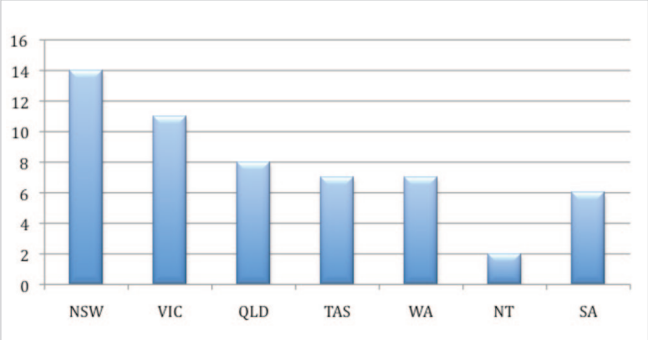
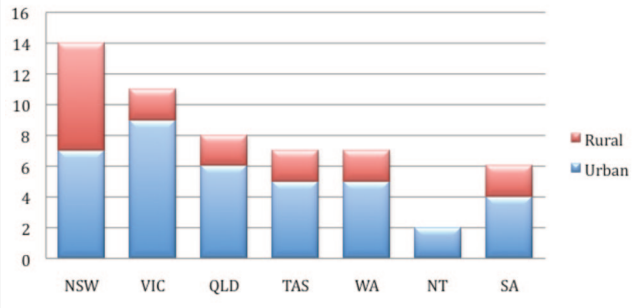


FIGURE 3 **Respondent councils by type for each State and Territory**



Total asset values for each of the four asset classes used in the Report is provided below.

FIGURE 4 **Total value for asset class**

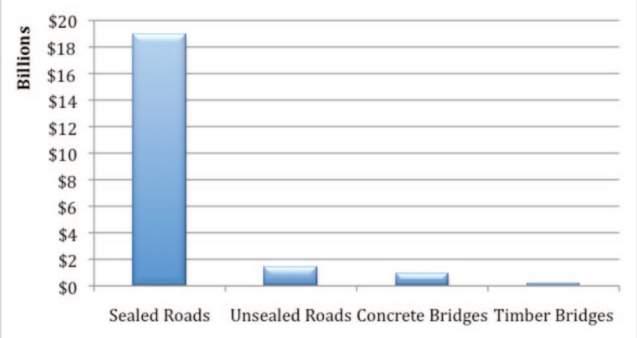
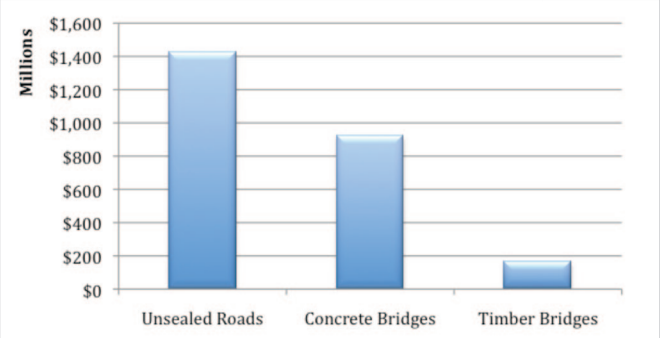


FIGURE 5 **Total value for unsealed roads and bridges**



The 55 councils are managing a total of $21.4 billion in infrastructure for the four transport asset classes used in this report, with local government sealed roads representing $18.9 billion of this value.

6 The State of Transport Infrastructure in Councils

6.1 ROADS AND BRIDGES CONNECT COMMUNITIES

In most Australian councils, significant levels of resources (staff, funding, equipment, planning) are dedicated to the road network and the financial sustainability of individual councils can be reliant upon State and Commonwealth funding for this effort. Road infrastructure physically links regions and markets, crossing jurisdictional boundaries and is critical to achieving and maintaining sustainable Australian communities.

As a result, local communities are heavily reliant on a well managed local road network. Maintaining the road network requires that councils have access to funding sources supported by reliable decision-making processes.

Responsibilities for all aspects of the management of road infrastructure are shared between the Commonwealth, State and Territory Governments and local governments. Local governments generally own and manage the local road network and receive funding from the Commonwealth Government for the road networks being managed.

The road infrastructure is comprised of sealed and unsealed roads, concrete bridges and timber bridges operating as part of a network. Ongoing design and support for the road infrastructure requires a consideration of various service options, associated costs and risks. In considering the network, asset managers view the various components in terms of quality, functionality and capacity.

An assessment of the state of an asset encompasses the collection of data and information through direct inspection, observation and investigation, indirect monitoring and reporting, and the analysis of the data and information to make a determination of the structural, operational, and performance status of the infrastructure assets. The collection of reliable data and information and the ability to make technically sound judgments as to the condition of the assets is therefore extremely important.

The road network should reflect a broad based land use/transportation strategy and translate that strategy into a series of movement routes that perform desired functions.

The data collected from 55 local governments has indicated the existence of asset management practices that provide high levels of confidence on the quality of the road and bridges infrastructure. Councils are aware of the condition of the physical infrastructure and whether that condition allows the asset to meet the intended service level.

Council asset managers have little confidence in the data associated with the functionality and capacity of the roads and bridges. The assessment of the functionality of an asset is used to determine whether the asset is able to meet its purpose as intended. Each road has its function according to its role in the network. The most basic function of a road is transportation that can be further considered in terms of mobility and accessibility. Roads are designed according to planned performance requirements to provide consistent, safe and reliable road facilities for movement of traffic. These design elements also include the planned capacity of the roads and bridges.

The road network must have the capacity to deliver the level of service that has been determined after measuring the level of demand.

An assessment of quality, functionality and capacity has a direct influence on the council's value of any backlog of capital investment.

A deterioration in the quality of a road or bridge may provide evidence of a needed renewal program. The renewal design must be made with reference to service standards agreed with Mayors and Councillors that also encapsulate whole of life costs and associated risks with known funding sources. A capital program to restore the quality of a road or bridge to expected standards represents a renewal of the asset.

A change in the functionality assessment of a road or bridge may provide evidence that the original town planning assumptions have altered and the road or bridge is now expected to meet a different purpose. Any planned capital expenditure arising from a functionality gap would be considered an upgrade or enhancement to the existing asset and not a renewal.

A review of the capacity of a road or bridge against the current level of demand may indicate that the utilisation of the asset may be more or less than originally planned. Any planned capital expenditure arising from a change in capacity would be considered an upgrade or enhancement to the existing asset and not a renewal.

Council decision making processes need to be able to identify the underlying factor (quality, functionality, capacity) associated with proposals in respect of road and bridge assets, and ensure that Mayors and Councillors are provided with the advice and options needed to allow trade-off discussions to occur.

6.2 DATA

The 55 councils that contributed to the pilot study provided data on four asset types from three dimensions:

1.	Sealed roads	2.	Unsealed roads	3.	Concrete bridges	4.	Timber bridges

1.	Quality – **Physical condition** – the condition of the physical infrastructure that allows it to meet the intended service level
2.	Function – **Function** – the ability of the physical infrastructure to meet program delivery needs
3.	Capacity – **Capacity/utilisation** – the ability of the physical infrastructure to meet service needs

In each instance, councils indicated the proportion of assets against three indicators of physical state:

- Very good or good
- Fair
- Poor or Very Poor

In some cases, councils were not able to allocate values with any degree of confidence and these have been valued as "unallocated".

Section 3 of the report identifies the definitions and scaling used by councils.

Councils are identifying a range of assets in each class as being in a poor or very poor state currently.

- Sealed roads – $18.9 billion under management, with the following being regarded as in a poor/very poor state:
  - By Quality - $2.2 billion
  - By Functionality - $1.6 billion
  - By Capacity - $2.1 billion
- Unsealed roads – $1.4 billion under management, with the following being regarded as in a poor /very poor state:
  - By Quality - $352 million
  - By Functionality - $221.8 million
  - By Capacity - $84.2 million
- Concrete bridges – $921 million under management, with the following being regarded as in a poor /very poor state:
  - By Quality - $53 million
  - By Functionality - $52.7 million
  - By Capacity - $57.5 million
- Timber Bridges – $163.9 million under management, with the following being regarded as in a poor /very poor state:
  - By Quality - $50.1 million
  - By Functionality - $30.7 million
  - By Capacity - $29.6 million

The current state of sealed roads presents the greatest challenge to the sample of councils, with over $2 billion in value being regarded as poor or very poor in respect of Quality and Capacity.

The remainder of this section of the report provides a short overview of the indications on the state of the physical infrastructure and the associated confidence levels in the data provided.

6.3 SEALED ROADS – QUALITY

FIGURE 6 **Sealed roads, quality by value**

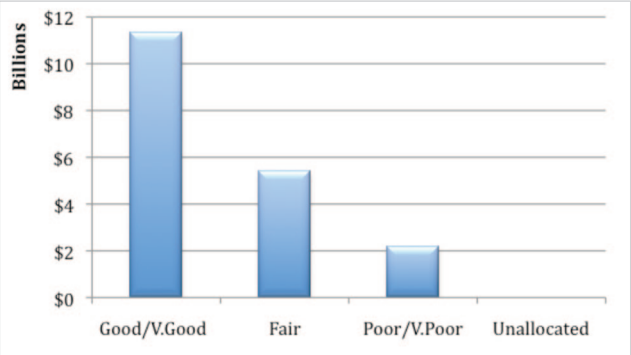
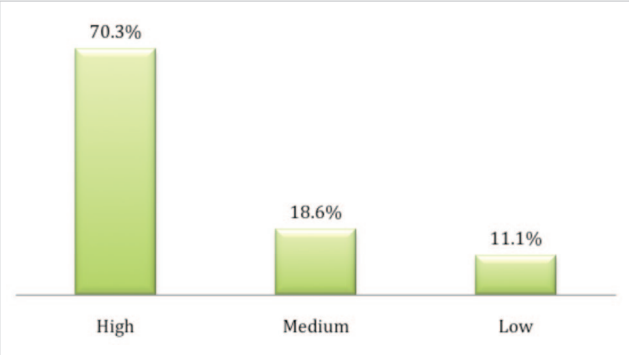


FIGURE 7 **Sealed roads, quality – confidence**



Councils are indicating that in respect of the quality of sealed roads:

- The vast majority of the assets are in good or very good condition and able to meet service expectations with a small proportion being in a poor or very poor condition;
- Councils have a very high degree of confidence in this data;
- Councils were able to categorise all assets in this class.

6.4 SEALED ROADS – FUNCTION

FIGURE 8 **Sealed roads, function by value**

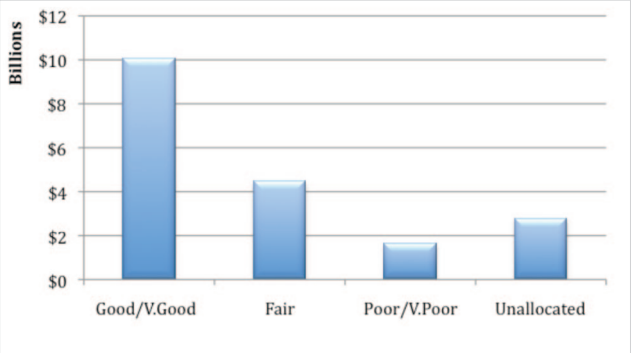
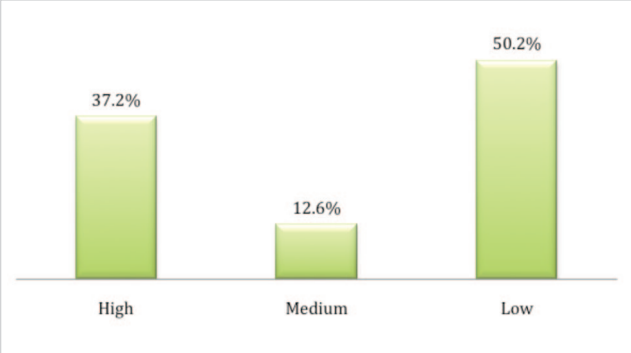


FIGURE 9 **Sealed roads, function – confidence**



Councils are indicating that in respect of the functionality/fit for purpose of sealed roads:

- The vast majority of the assets are fit for purpose with a small proportion not providing the expected functionality;
- Councils have a low degree of confidence in this data;
- Councils were not able to categorise all assets in this class.

6.5 SEALED ROADS – CAPACITY

FIGURE 10 **Sealed roads, capacity by value**

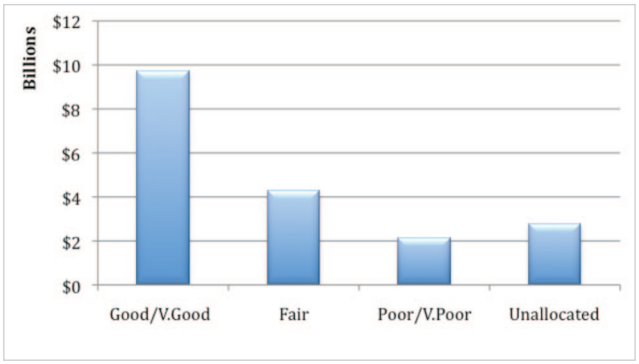
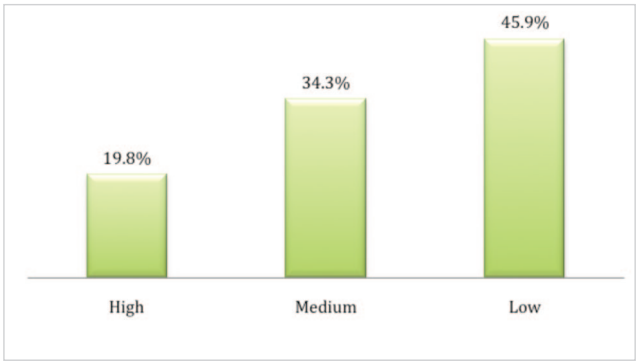


FIGURE 11 **Sealed roads, capacity – confidence**



Councils are indicating that in respect of the capacity/utilisation against expectations of sealed roads:

- The vast majority of the assets are meeting capacity expectations with a small proportion not operating at the expected capacity;
- Councils have a low degree of confidence in this data;
- Councils were not able to categorise all assets in this class.

6.6 UNSEALED ROADS – QUALITY

FIGURE 12 **Unsealed roads, quality by value**

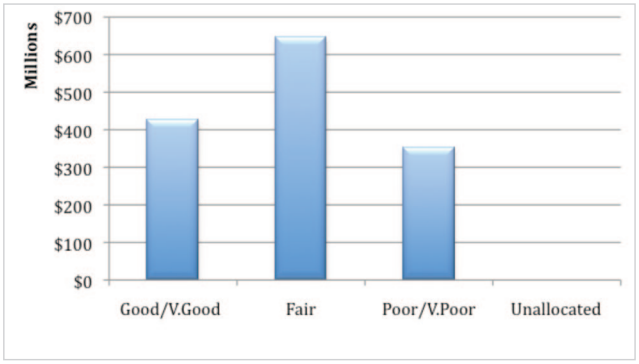
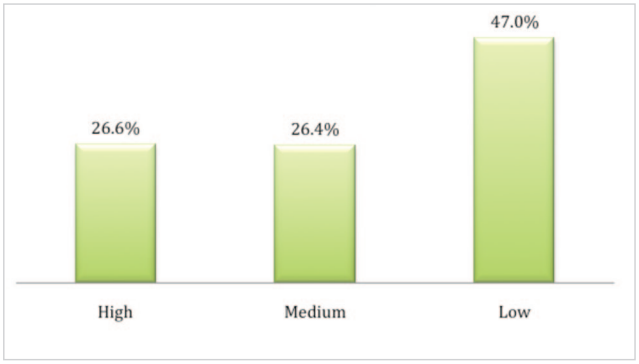


FIGURE 13 **Unsealed roads, quality – confidence**



Councils are indicating that in respect of the quality of unsealed roads:

- The majority of the assets are in fair, good or very good condition and able to meet service expectations with a medium proportion being in a poor or very poor condition;
- Councils have a low degree of confidence in this data;
- Councils were able to categorise all assets in this class.

6.7 UNSEALED ROADS – FUNCTION

FIGURE 14 **Unsealed roads, function by value**

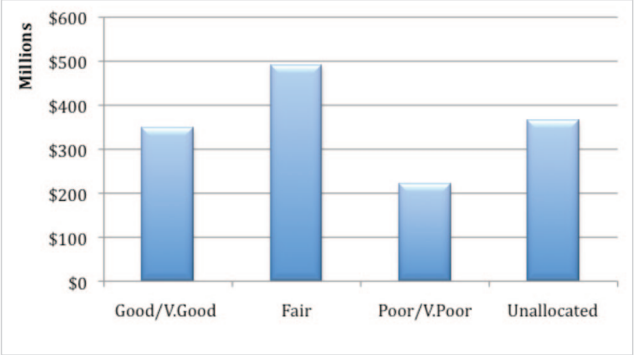
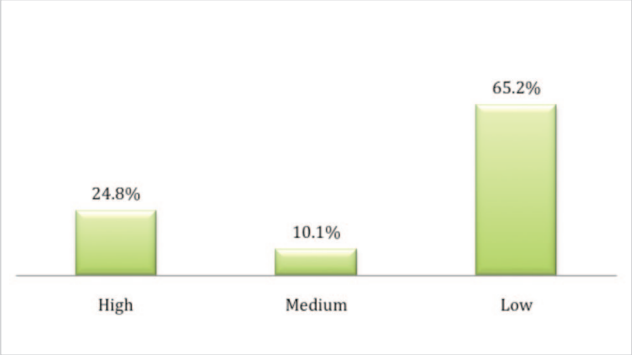


FIGURE 15 **Unsealed roads, function – confidence**



Councils are indicating that in respect of the functionality/fit for purpose of unsealed roads:

- Most of the assets are fit for purpose with a medium proportion not providing the expected functionality;
- Councils have a low degree of confidence in this data;
- Councils were not able to categorise all assets in this class.

6.8 UNSEALED ROADS – CAPACITY

FIGURE 16 **Unsealed roads, capacity by value**

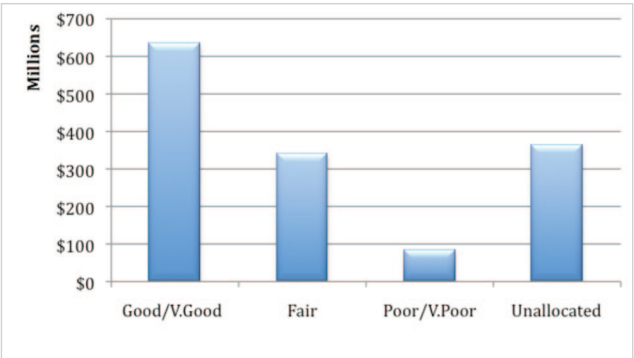
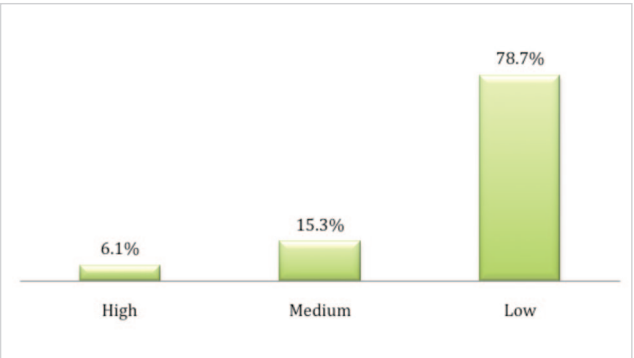


FIGURE 17 **Unsealed roads, capacity – confidence**



Councils are indicating that in respect of the capacity/utilisation against expectations of unsealed roads:

- The vast majority of the assets are meeting capacity expectations with a small proportion not operating at the expected capacity;
- Councils have a very low degree of confidence in this data;
- Councils were not able to categorise all assets in this class and a significant proportion are unallocated in this instance.

6.9 CONCRETE BRIDGES – QUALITY

FIGURE 18 **Concrete bridges, quality by value**

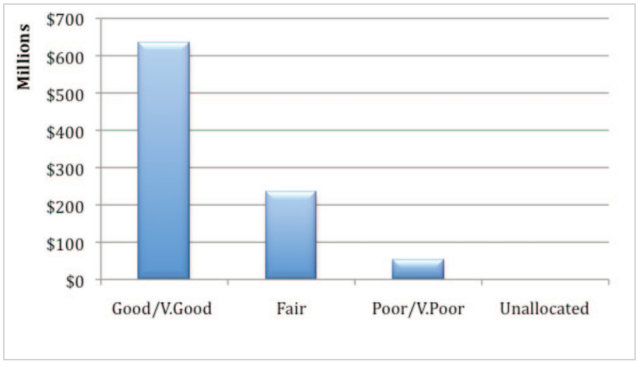
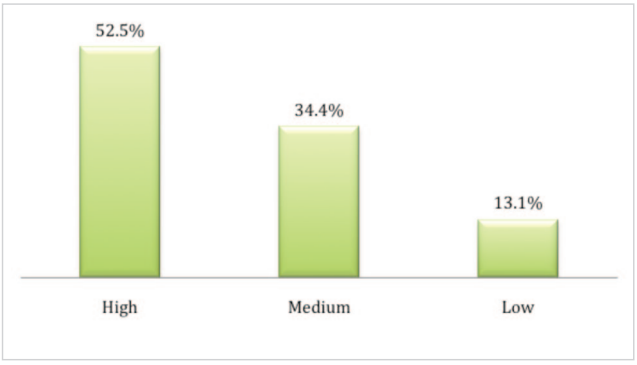


FIGURE 19 **Concrete bridges, quality – confidence**



Councils are indicating that in respect of the quality of concrete bridges:

- The vast majority of the assets are in good or very good condition and able to meet service expectations with a small proportion being in a poor or very poor condition;
- Councils have a high degree of confidence in this data;
- Councils were able to categorise all assets in this class.

6.10 CONCRETE BRIDGES – FUNCTION

FIGURE 20 **Concrete bridges, function by value**

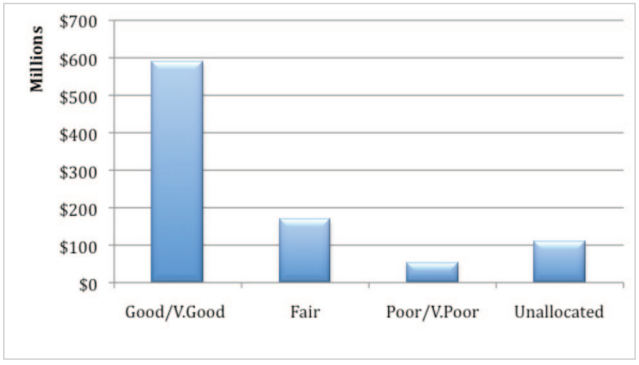
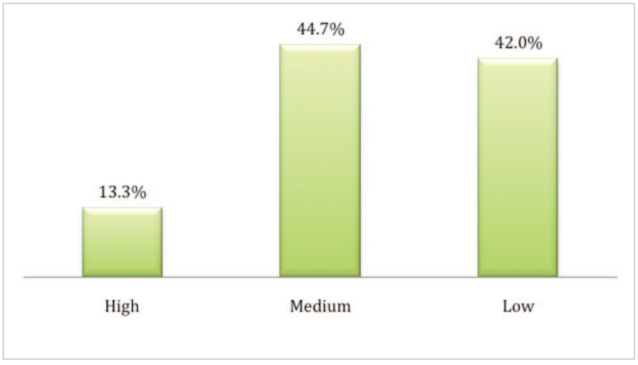


FIGURE 21 **Concrete bridges, function – confidence**



Councils are indicating that in respect of the functionality/fit for purpose of concrete bridges:

- The vast majority of the assets are fit for purpose with a small proportion not providing the expected functionality;
- Councils have a medium to low degree of confidence in this data;
- Councils were not able to categorise all assets in this class.

6.11 CONCRETE BRIDGES – CAPACITY

FIGURE 22 **Concrete bridges, capacity by value**

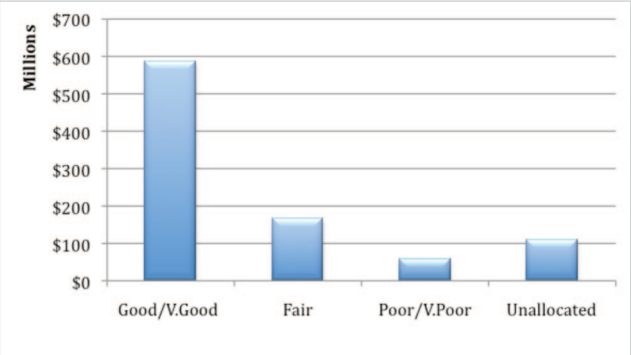
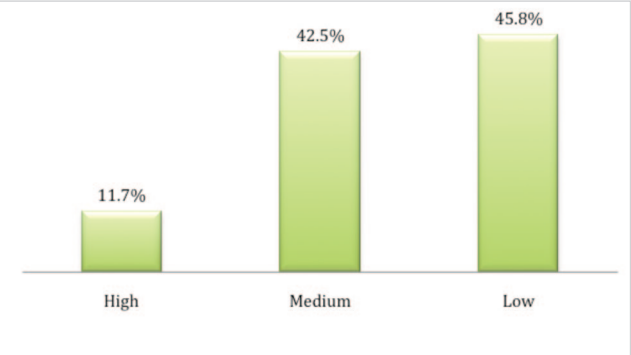


FIGURE 23 **Concrete bridges, capacity – confidence**



Councils are indicating that in respect of the capacity/utilisation against expectations of concrete bridges:

- The vast majority of the assets are meeting capacity expectations with a small proportion not operating at the expected capacity;
- Councils have a medium to low degree of confidence in this data;
- Councils were not able to categorise all assets in this class.

6.12 TIMBER BRIDGES – QUALITY

FIGURE 24 **Timber bridges, quality by value**

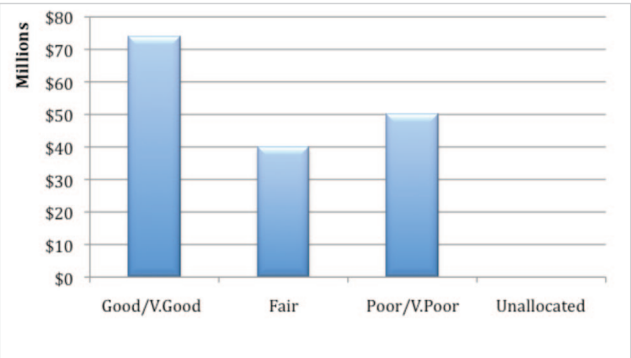
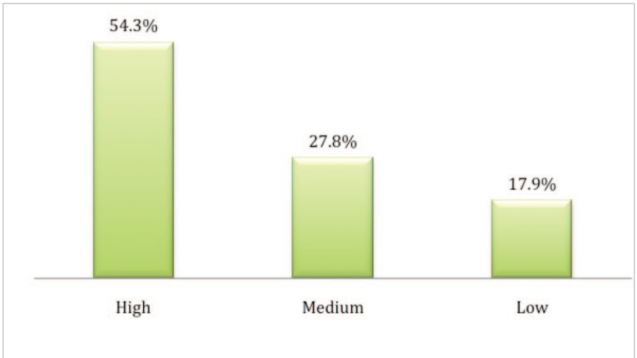


FIGURE 25 **Timber bridges, quality – confidence**



Councils are indicating that in respect of the quality of timber bridges:

- The majority of the assets are in good or very good condition and able to meet service expectations with a large proportion being in a poor or very poor condition;
- Councils have a high degree of confidence in this data;
- Councils were able to categorise all assets in this class.

6.13 TIMBER BRIDGES – FUNCTION

FIGURE 26 **Timber bridges, function by value**

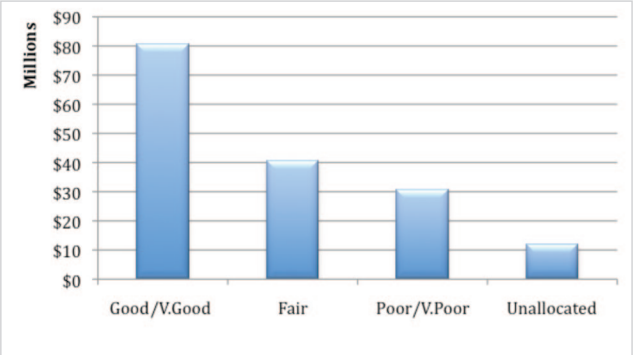
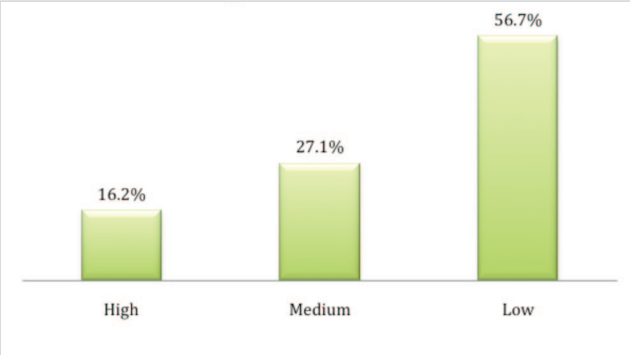


FIGURE 27 **Timber bridges, function – confidence**



Councils are indicating that in respect of the functionality/fit for purpose of timber bridges:

- The majority of the assets are fit for purpose with a small proportion not providing the expected functionality;
- Councils have a low degree of confidence in this data;
- Councils were not able to categorise all assets in this class.

6.14 TIMBER BRIDGES - CAPACITY

FIGURE 28 **Timber bridges, capacity by value**

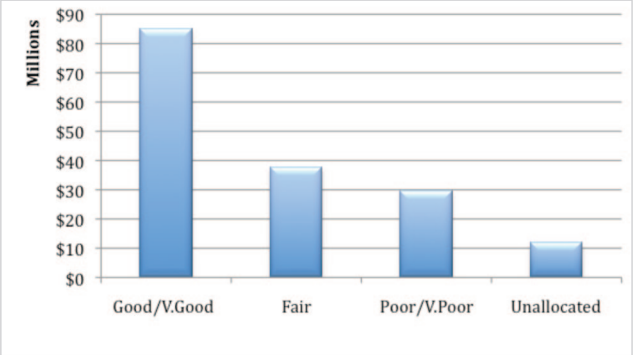
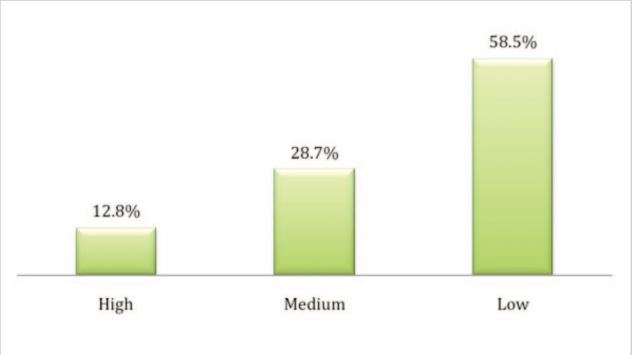


FIGURE 29 **Timber bridges, capacity – confidence**



Councils are indicating that in respect of the capacity/utilisation against expectations of timber bridges:

- The vast majority of the assets are meeting capacity expectations with a small proportion not operating at the expected capacity;
- Councils have a low degree of confidence in this data;
- Councils were not able to categorise all assets in this class.

7 Attributes of Transport Infrastructure

This section of the report provides a direct comparison of the physical state characteristics for each asset class. It demonstrates the significant differences in confidence that exists between considerations of quality, function and capacity.

7.1 QUALITY

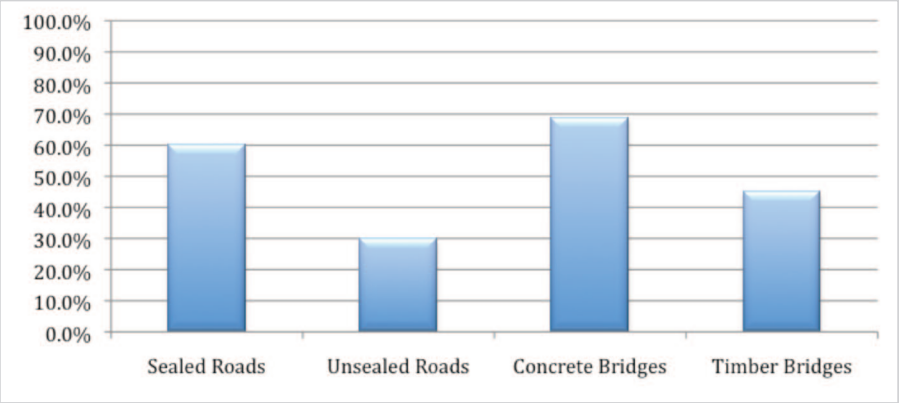
Quality has been expressed using the following scales.

Condition Grading	Description of Condition of the Asset
1	**Very Good**: only planned maintenance required
2	**Good**: minor maintenance required plus planned maintenance
3	**Fair**: significant maintenance required
4	**Poor**: significant renewal/rehabilitation required
5	**Very Poor**: physically unsound and/or beyond rehabilitation

Source: Based on IPWEA, 2011, IIMM, Table 2.5.2, Sec 2.5.4, p 2|79.

Below is the consolidated perspective on Quality associated with each asset class.

FIGURE 30 **Percentage of class in good/very good quality**



Sealed roads and concrete bridges are generally considered to be in good and very good condition and able to meet service expectations. A high proportion of timber bridges and unsealed roads are generally considered to be in poor or very poor condition.

Councils have a high degree of confidence in this measure for sealed roads, concrete bridges and timber bridges with medium levels of confidence in unsealed road data.

Councils were able to categorise all data in terms of quality and being able to meet service expectations.

7.2 FUNCTION

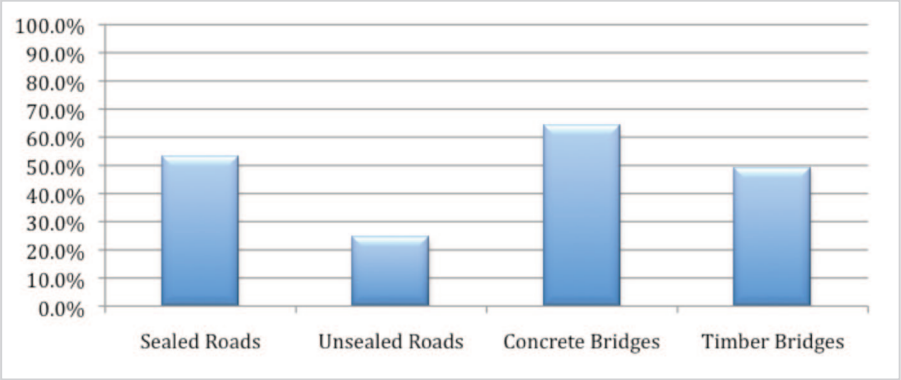
Function has been expressed using the following scales.

Function Grading	Description of Function of the Asset
1	**Very Good**: meets program/service delivery needs in a fully efficient and effective manner
2	**Good**: meets program/service delivery needs in acceptable manner
3	**Fair**: meets most program/service delivery needs and some inefficiencies and ineffectiveness present
4	**Poor**: limited ability to meet program/service delivery needs
5	**Very Poor**: is critically deficient, does not meet program/service delivery and is neither efficient nor effective

Source: Based on Cloake & Sui, 2002, p 9.

Below is the consolidated perspective on Functionality/Fit for Purpose associated with each asset class.

FIGURE 31 **Percentage of class with good/very good function**



Sealed roads, concrete bridges and timber bridges are considered to have high levels of functionality and are fit for purpose. A high proportion of unsealed roads are currently considered to be inadequate for purpose.

Councils have a low degree of confidence in this data for all asset classes. Councils were not able to categorise all data in terms of functionality and being fit for purpose.

7.3 CAPACITY

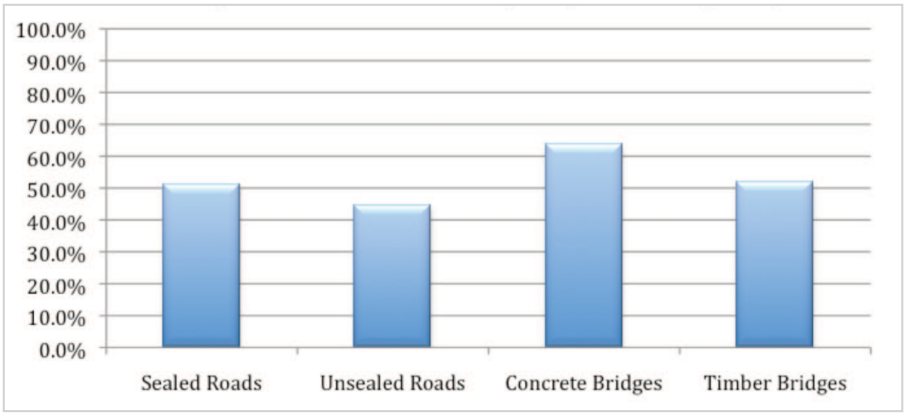
Capacity/Utilisation has been expressed using the following scales.

Capacity/Utilisation Grading	Description of Capacity/Utilisation of Asset
1	**Very Good**: usage corresponds well with design capacity and no operational problems experienced
2	**Good**: usage is within design capacity and occasional operational problems experienced
3	**Fair**: usage is approaching design capacity and/or operational problems occur frequently
4	**Poor**: usage exceeds or is well below design capacity and/or significant operational problems are evident
5	**Very Poor**: exceeds design capacity or is little used and/or operational problems are serious and ongoing

Source: Based on Cloake & Sui, 2002, p 9.

Below is the consolidated perspective on Capacity/Utilisation associated with each asset class.

FIGURE 32 **Percentage of class with good/very good capacity**



All asset classes are considered to be meeting capacity and utilisation expectations.

Councils have a low degree of confidence in this data for all asset classes. Councils were not able to categorise all data in terms of functionality and being fit for purpose.

7.4 OVERALL

Councils generally lack confidence in categorising the asset classes in terms of a matrix of physical state evaluations comprising quality, functionality and capacity with high degrees of confidence only being evident in respect of Quality considerations.

Councils consider that the transport related infrastructure is meeting capacity and utilisation expectations, but there is little confidence attached however to the data.

Councils also consider that the transport infrastructure is largely fit for purpose, with the exception being unsealed roads where a large proportion is not considered to meet functional requirements.

All asset classes are considered to be currently demonstrating good levels of physical condition, with the exception again being unsealed roads where a large proportion is considered to be in a poor or very poor condition.

8 Commentary

8.1 ASSET MANAGEMENT AND FINANCIAL SUSTAINABILITY

The emphasis on asset management planning in local government arises as a result of the reliance that councils have on infrastructure to deliver services and support communities, particularly through the road and bridges network but also through community buildings, water and sewerage networks and stormwater management systems. This emphasis, combined with the broad range of estimates and assumptions associated with valuing and depreciating infrastructure, means that asset management planning practices and financial projections for renewal, maintenance and operations expenditures are critical to understanding and managing the financial position of any council.

The lack of asset management planning practice in councils has meant that many of the important estimates and assumptions have not previously been developed and are only now emerging for review and scrutiny.

Financial sustainability for a council means being able to manage likely developments and unexpected shocks in future periods without having to introduce substantial and economically significant or socially destabilising income or expenditure adjustments.

Expressed a different way, the decisions made by councils must ensure that the needs of the present generation are met without compromising the ability of future generations to meet their own needs[6].

In the past decade, most States undertook financial sustainability evaluations of local government. This process culminated in the PriceWaterhouseCoopers (PwC) report of 2006[7] that included a number of important observations. These included several references to the direct relationship between asset management and financial sustainability in local government, including:

- Inconsistent asset valuation and depreciation practices
- Poor asset management practices
- Inconsistent application of accounting standards and accounting approaches
- Deficiencies in data quality and completeness
- Lack of understanding of levels of service and cost of service provision
- Little understanding of the whole of life costs for new assets.

In 2007, the Local Government and Planning Ministers Council (LGPMC) endorsed nationally consistent approaches for:

- Framework 1 – Criteria for assessing financial sustainability of local councils
- Framework 2 – Asset planning and management
- Framework 3 – Financial planning and reporting

In May 2009, the LGPMC agreed to the enhancement of existing nationally consistent frameworks on local government asset and financial frameworks to assist councils to improve asset management planning and financial management and reporting. The LGPMC also committed to an acceleration of the implementation of the frameworks.

6 Drawn from Brundtland Commission report "Our Common Future" 1987.
7 PriceWaterhouseCoopers report for ALGA "National Financial Sustainability Study of Local Government" November 2006.

There are seven elements to the enhanced asset management framework:

1. Development of asset management policy
2. Strategy and planning
3. Governance and management arrangements
4. Defining levels of service
5. Data and systems
6. Skills and processes
7. Evaluation

In terms of the "defining levels of service" element, States and Territories are expected to develop mechanisms that define the levels of service expected to be provided from the asset base, including:

- Establishing service delivery needs and defining service levels in consultation with the community;
- Establishing quality and cost standards for service to be delivered from assets; and
- Regularly reviewing services in consultation with the community to determine the financial impact of a reduction, maintenance of or increase in service.

The financial sustainability evaluation of a local government is undertaken with reference to a properly developed and complete long term financial plan. The financial plan should:

- be based on the achievement of projected performance against carefully developed financial sustainability targets;
- fully accommodate in quantum and timing all expenditures as included in the asset management plans for the council's infrastructure assets; and
- include a sensitivity analysis highlighting key factors or assumptions most likely to impact on achievement of the financial targets.

Financial sustainability indicators are used to support the analysis of a council's long term financial plan. In October 2011, State jurisdictions agreed that the common financial sustainability indicators to be used are:

1. Operating Surplus Ratio
2. Net Financial Liabilities Ratio
3. Asset Sustainability Ratio

The Asset Renewal Funding Ratio will replace the Asset Sustainability Ratio in the medium term.

Evaluations based on the use of the ratios seek to identify whether the infrastructure assets of the council are being maintained (renewals emphasis through the asset sustainability ratio) whilst the council remains financially viable in the long term (operating surplus ratio) and retains financial capacity to manage risks and unexpected events (net financial liabilities ratio).

The expected outcome from the asset management planning and long term financial planning is financially sustainable councils.

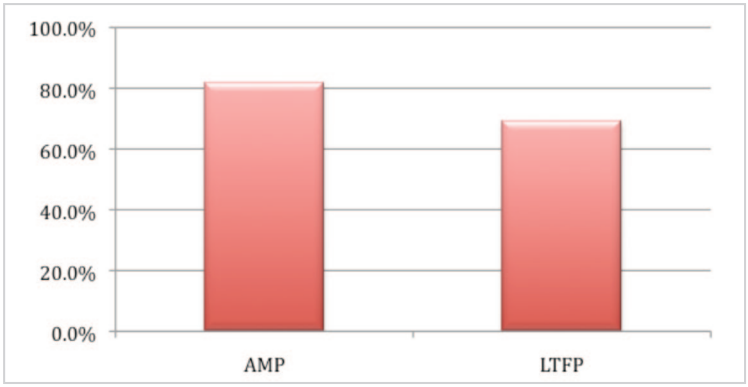
8.2 ASSET MANAGEMENT STATUS

While many local governments have been investing in asset management planning for more than a decade, for most councils the asset management planning process has only recently started to accelerate with the Commonwealth's Local Government Reform Fund (LGRF) program.

The current evidence is that councils are improving technical asset management practice. Key improvement areas include better engagement of the political/executive in understanding the trade off decisions between new assets, and incorporating existing assets and revenue policy in to the long term financial plan.

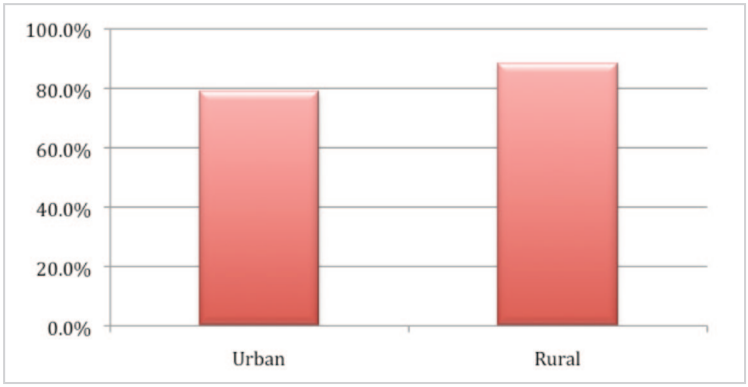
The 55 councils that contributed data to the report also indicated the status of progress in developing asset management plans (AMP) and long term financial plans (LTFP).

FIGURE 33 **AMPs and LTFPs in place**



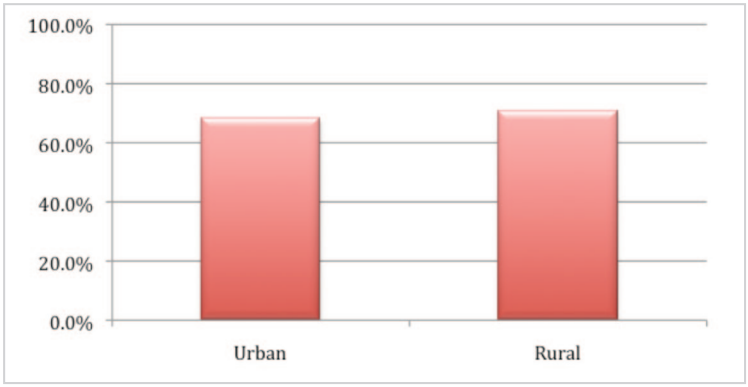
While asset management plans are in place in 82% of the councils, long term financial plans are only in place in 69% of those councils.

FIGURE 34 **AMPs, % of urban and rural councils**



The data also indicates 88% of the 17 rural councils in the survey had asset management plans in place compared to 79% of the 38 urban councils.

FIGURE 35 **LTFPs, % of urban and rural councils**



71% of the rural councils and 68% of the urban councils indicated that long term financial plans were in place.

While this is an excellent result for the rural councils in the survey it also indicates that the long term financial sustainability position of many Australian councils is still not able to be satisfactorily determined.

8.3 ONGOING CAPACITY BUILDING

The Commonwealth Government has contributed to the capacity building process via the Local Government Reform Fund. The Local Government Reform Fund was introduced to improve the asset and financial management capabilities of councils around Australia, as well as to encourage greater collaboration between councils and to provide for nationally consistent data to enable the performance of councils to be measured.

The Fund was announced by former Prime Minister Rudd at the Australian Council of Local Government meeting held 25 June 2009. The Commonwealth funding has greatly contributed to asset management development and the advancement of long term financial planning, but there remains a considerable amount of work yet to be done and further support through the Local Government Reform Fund would be an important investment.

The critical element is the change program that supports long term financial sustainability that needs to involve Mayors and Councillors, CEOs, asset managers and finance managers in a long running series of workshops/ seminars supported by guidance papers.

Asset management is a means to an end, with the asset management planning process recognising that local governments have significant infrastructure assets under management, and the future expenditures associated with these assets needs to be understood and incorporated into a long-term financial plan. Only then will councils be able to fully understand whether the future expenditures can be managed within the known sources of funding, including own-source revenues, debt or grants and subsidies from the State and Commonwealth.

In the medium term, councils will also need to incorporate other elements into the long term planning process e.g. workforce planning and service planning, and process/system improvement.

In the future, service and service level discussions by councils with the community need to be supported by tightly integrated approaches to planning that also recognise broader considerations such as planning schemes and planning for future infrastructure provision.

9 References

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10 Glossary

Annual service cost (ASC)

An estimate of the cost that would be tendered, per annum, if tenders were called for the supply of a service to a performance specification for a fixed term. The Annual Service Cost includes operating, maintenance, depreciation, finance/opportunity and disposal costs, less revenue.

Asset class

Grouping of assets of a similar nature and use in an entity's operations (AASB 166.37).

Asset condition assessment

The process of continuous or periodic inspection, assessment, measurement and interpretation of the resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Asset management

The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost effective manner.

Asset Management Plan

Each council must prepare an Asset Management Strategy and Asset Management Plan/s to support the Community Strategic Plan and Delivery Program.

The Asset Management Strategy and Plan/s must be for a minimum timeframe of 10 years.

Asset Management Strategy

The Asset Management Strategy must include a council endorsed Asset Management Policy. The Asset Management Strategy must identify assets that are critical to the council's operations and outline risk management strategies for these assets. The Asset Management Strategy must include specific actions required to improve council's asset management capability and projected resource requirements and timeframes.

Assets

Future economic benefits controlled by the entity as a result of past transactions or other past events (AAS27.12). Property, plant and equipment including infrastructure and other assets (such as furniture and fittings) with benefits expected to last more than 12 months.

Average annual asset consumption (AAAC)

The amount of a local government's asset base consumed during a year. This may be calculated by dividing the Depreciable Amount (DA) by the Useful Life and totalled for each and every asset OR by dividing the Fair Value (Depreciated Replacement Cost) by the Remaining Life and totalled for each and every asset in an asset category or class.

Capital expansion expenditure

Expenditure that extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretional expenditure, which increases future operating, and maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group, e.g. extending a drainage or road network, the provision of an oval or park in a new suburb for new residents.

Capital expenditure

Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital funding

Funding to pay for capital expenditure.

Capital grants

Monies received generally tied to the specific projects for which they are granted, which are often upgrade and/or expansion or new investment proposals.

Capital investment expenditure

See capital expenditure definition.

Capital new expenditure

Expenditure which creates a new asset providing a new service to the community that did not exist beforehand. As it increases service potential it may impact revenue and will increase future operating and maintenance expenditure.

Capital renewal expenditure

Expenditure on an existing asset, which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time, e.g. resurfacing or resheeting a material part of a road network, replacing a material section of a drainage network with pipes of the same capacity, resurfacing an oval. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Capital upgrade expenditure

Expenditure, which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base, e.g. widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.

Class of assets

See asset class definition.

Component

An individual part of an asset which contributes to the composition of the whole and can be separated from or attached to an asset or a system.

Cost of an asset

The amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction, plus any costs necessary to place the asset into service. This includes one-off design and project management costs.

Council Plan (See also Strategy and Planning)

Each council is required to prepare and adopt a Council Plan by 30 June in the year following a general election (general elections are conducted in November every four years, as of 2008). In some cases the Minister for Local Government may extend the period within which a council may adopt its Council Plan.

A Council plan includes:

- The strategic objectives of the council
- Strategies for achieving those objectives over the next four years
- A Strategic Resource Plan
- Strategic indicators for monitoring the achievement of the objectives

Before adopting its Council Plan, a council must give public notice of its intention to adopt the plan and invite public submissions. Members of the public may make written submissions within 28 days of the notice and, if they so desire, request to be heard in support of their submission.

A council may review and update its Council Plan at any time, following the same process as for the original plan. At least once every year a council must consider whether the Council Plan requires any adjustment in respect to the remaining period of the plan. If a Council Plan is to be adjusted, the adjustments must also be subject to the public consultation process.

Current replacement cost (CRC)

The cost the entity would incur to acquire the asset on the reporting date. The cost is measured by reference to the lowest cost at which the gross future economic benefits could be obtained in the normal course of business or the minimum it would cost, to replace the existing asset with a technologically modern equivalent new asset (not a second hand one) with the same economic benefits (gross service potential) allowing for any differences in the quantity and quality of output and in operating costs.

Current replacement cost "As New" (CRC)

The current cost of replacing the original service potential of an existing asset, with a similar modern equivalent asset, i.e. the total cost of replacing an existing asset with an as NEW or similar asset expressed in current dollar values.

Cyclic Maintenance

Replacement of higher value components/sub-components of assets that is undertaken on a regular cycle including repainting, building roof replacement, cycle, replacement of air conditioning equipment, etc. This work generally falls below the capital/ maintenance threshold and needs to be identified in a specific maintenance budget allocation.

Depreciable amount

The cost of an asset, or other amount substituted for its cost, less its residual value (AASB 116.6).

Depreciated replacement cost (DRC)

The current replacement cost (CRC) of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

Depreciation/amortisation

The systematic allocation of the depreciable amount (service potential) of an asset over its useful life.

Economic life

See useful life definition.

Expenditure

The spending of money on goods and services. Expenditure includes recurrent and capital.

Fair value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties, in an arms length transaction.

Greenfield asset values

Asset (re)valuation values based on the cost to initially acquire the asset.

Heritage asset

An asset with historic, artistic, scientific, technological, geographical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.

Infrastructure assets

Physical assets of the entity or of another entity that contribute to meeting the public's need for access to major economic and social facilities and services, e.g. roads, drainage, footpaths and cycleways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained, renewed or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally the components, and hence the assets, have long lives. They are fixed in place and are often have no market value.

Level of service

The defined service quality for a particular service against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost.

Life cycle cost

The life cycle cost (LCC) is the average cost to provide the service over the longest asset life cycle. It comprises annual maintenance and asset consumption expense, represented by depreciation expense. The Life Cycle Cost does not indicate the funds required to provide the service in a particular year.

Life cycle expenditure

The Life Cycle Expenditure (LCE) is the actual or planned annual maintenance and capital renewal expenditure incurred in providing the service in a particular year. Life Cycle Expenditure may be compared to Life Cycle Expenditure to give an initial indicator of life cycle sustainability.

Loans/borrowings

Loans result in funds being received which are then repaid over a period of time with interest (an additional cost). Their primary benefit is in 'spreading the burden' of capital expenditure over time. Although loans enable works to be completed sooner, they are only ultimately cost effective where the capital works funded (generally renewals) result in operating and maintenance cost savings, which are greater than the cost of the loan (interest and charges).

Long Term Financial Plan

The long term financial plan (LTFP) provides a 10 year forward projection of financial resources and includes:

- Planning assumptions used to develop the Plan
- Sensitivity analysis – highlights factors/assumptions most likely to affect the Plan
- Financial modelling for different scenarios e.g. planned/optimistic/conservative
- Methods of monitoring financial performance.

Maintenance and renewal gap

Difference between estimated budgets and projected expenditures for maintenance and renewal of assets, totalled over a defined time (e.g. 5, 10 and 15 years).

Maintenance and renewal sustainability index

Ratio of estimated budget to projected expenditure for maintenance and renewal of assets over a defined time (e.g. 5, 10 and 15 years).

Maintenance expenditure

Recurrent expenditure, which is periodically or regularly required as part of the anticipated schedule of works required to ensure that the asset achieves its useful life and provides the required level of service. It is expenditure, which was anticipated in determining the asset's useful life.

Materiality[8]

The notion of materiality guides the margin of error acceptable, the degree of precision required and the extent of the disclosure required when preparing general purpose financial reports. Information is material if its omission, misstatement or nondisclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial report or affect the discharge of accountability by the management or governing body of the entity.

Modern equivalent asset

A structure similar to an existing structure and having the equivalent productive capacity, which could be built using modern materials, techniques and design. Replacement cost is the basis used to estimate the cost of constructing a modern equivalent asset.

National Asset Management Framework

The 3 Nationally Consistent frameworks can be downloaded from http://www.lgpmcouncil.gov.au/publications/sus_framework.aspx.

The national partnership agreement can be downloaded from http://www.federalfinancialrelations.gov.au/content/national_partnership_agreements/Other/local_government/national_partnership.pdf.

Non-revenue generating investments

Investments for the provision of goods and services to sustain or improve services to the community that are not expected to generate any savings or revenue to the Council, e.g. parks and playgrounds, footpaths, roads and bridges, libraries, etc.

Operating expenditure

Recurrent expenditure, which is continuously required excluding maintenance and depreciation, e.g. power, fuel, staff, plant equipment, on-costs and overheads.

Planned Maintenance

Repair work that is identified and managed through a maintenance management system (MMS). MMS activities include inspection, assessing the condition against failure/breakdown criteria/experience, prioritising scheduling, actioning the work and reporting what was done to develop a maintenance history and improve maintenance and service delivery performance.

Rate of annual asset consumption

A measure of average annual consumption of assets (AAAC) expressed as a percentage of the depreciable amount (AAAC/DA). Depreciation may be used for AAAC.

Rate of annual asset renewal

A measure of the rate at which assets are being renewed per annum expressed as a percentage of depreciable amount (capital renewal expenditure/DA).

Rate of annual asset upgrade

A measure of the rate at which assets are being upgraded and expanded per annum expressed as a percentage of depreciable amount (capital upgrade/expansion expenditure/DA).

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Reactive maintenance

Unplanned repair work that is carried out in response to service requests and management/supervisory directions.

Recoverable amount

The higher of an asset's fair value, less costs to sell and its value in use.

Recurrent expenditure

Relatively small (immaterial) expenditure or that which has benefits expected to last less than 12 months. Recurrent expenditure includes operating and maintenance expenditure.

Recurrent funding

Funding to pay for recurrent expenditure.

Rehabilitation

See capital renewal expenditure definition above.

Remaining life

The time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining life is economic life.

Renewal

See capital renewal expenditure definition above.

Residual value

The net amount which an entity expects to obtain for an asset at the end of its useful life after deducting the expected costs of disposal.

Strategic Resource Plan

The Strategic Resource Plan is part of the Council Plan. It describes the resources required to achieve the strategic objectives in the Council Plan.

Unlike the other material included in a Council Plan, however, a Strategic Resource Plan must always cover the resource needs for at least the next four years and must be adopted by 30 June each year. Therefore, councils generally prepare their Strategic Resource Plans on a rolling basis to cover at least the next 4 years.

A Strategic Resource Plan must include:

- Standard Statements describing the financial resources required for the next four financial years
- Statements describing the non-financial resources required for the next four financial years
- Statements describing non-financial resources are not prescribed. However, they generally address future staffing requirements and may also address infrastructure and information technology needs.

Strategy and Planning Documents

The Strategic Resource Plan is part of the Council Plan. It describes the resources required to achieve the strategic objectives in the Council Plan.

Unlike the other material included in a Council Plan, however, a Strategic Resource Plan must always cover the resource needs for at least the next four years and must be adopted by 30 June each year. Therefore, councils generally prepare their Strategic Resource Plans on a rolling basis to cover at least the next four years.

A Strategic Resource Plan must include:

- Standard Statements describing the financial resources required for the next four financial years
- Statements describing the non-financial resources required for the next four financial years
- Statements describing non-financial resources are not prescribed. However, they generally address future staffing requirements and may also address infrastructure and information technology needs.

Revenue generating investments

Investments for the provision of goods and services to sustain or improve services to the community that are expected to generate some savings or revenue to offset operating costs, e.g. public halls and theatres, childcare centres, sporting and recreation facilities, tourist information centres, etc.

Risk management

The application of a formal process to the range of possible values relating to key factors associated with a risk in order to determine the resultant ranges of outcomes and their probability of occurrence.

Section or segment

A self-contained part or piece of an infrastructure asset.

Service potential

The capacity to provide goods and services in accordance with the entity's objectives, whether those objectives are the generation of net cash inflows or the provision of goods and services of a particular volume and quantity to the beneficiaries thereof.

Service potential remaining

A measure of the remaining life of assets expressed as a percentage of economic life. It is also a measure of the percentage of the asset's potential to provide services that are still available for use in providing services (DRC/DA).

Sub-component

Smaller individual parts that make up a component part.

Useful life

Either:

(a) the period over which an asset is expected to be available for use by an entity, or

(b) the number of production or similar units expected to be obtained from the asset by the entity.

It is estimated or expected time between placing the asset into service and removing it from service, or the estimated period of time over which the future economic benefits embodied in a depreciable asset, are expected to be consumed by the council. It is the same as the economic life.

Value in Use

The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. It is deemed to be depreciated replacement cost (DRC) for those assets whose future economic benefits are not primarily dependent on the asset's ability to generate new cash flows, where if deprived of the asset its future economic benefits would be replaced.

11 Contributing Local Governments

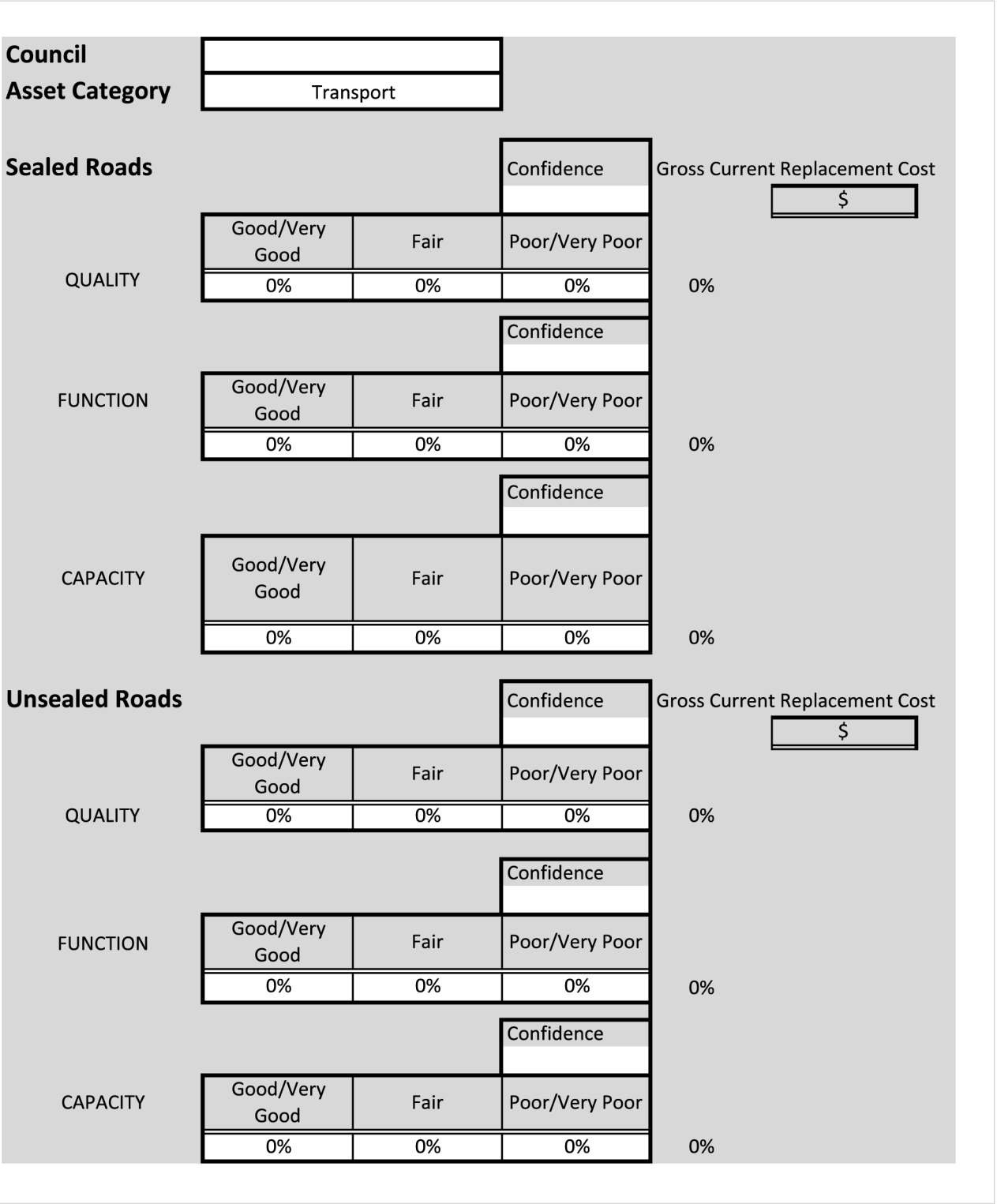
The following 55 local governments contributed data to the project.

Council	State	ACLG
Alice Springs Town Council	NT	URS
Ararat Rural City Council	VIC	URS
Armidale Dumaresq Council	NSW	URS
Baw Baw Shire Council	VIC	URM
Blayney Shire Council	NSW	RAL
Brighton Council	TAS	URS
Burnie City Council	TAS	URS
Cabonne Shire Council	NSW	RAV
Cairns Regional Council	QLD	URV
Campaspe Shire Council	VIC	URM
Central Coast Council	TAS	URS
City of Armadale	WA	UFM
City of Gosnells	WA	UDL
City of Joondalup	WA	UDV
City of Mandurah	WA	URM
City of Port Adelaide Enfield	SA	UDL
City of Port Phillip	VIC	UDL
City of Prospect	SA	UDS
City of Wanneroo	WA	UFV
Conargo Shire Council	NSW	RAS
Devonport City Council	TAS	URS
District Council of Lower Eyre Peninsula	SA	RAM
Gold Coast City Council	QLD	URV
Gosford City Council	NSW	UFV
Gwydir Shire Council	NSW	RAL
Harden Shire Council	NSW	RAM
Katherine Town Council	NT	URS
Lake Macquarie City Council	NSW	URV
Launceston City Council	TAS	URM

Council	State	ACLG
Logan City Council	QLD	UFV
Longreach Regional Council	QLD	RTL
Macedon Ranges Shire Council	VIC	URM
Meander Valley Council	TAS	RAV
Moonee Valley City Council	VIC	UDL
Murray Shire Council	NSW	RAL
Murweh Shire Council	QLD	RTL
Muswellbrook Shire Council	NSW	RAV
Northern Midlands Council	TAS	RAV
Richmond Valley Council	NSW	URS
Shire of Esperance	WA	RAV
Shire of Murray	WA	RSG
Shire of Nillumbik	VIC	UFM
Tablelands Regional Council	QLD	URM
The Barossa Council	SA	UFS
Town of Gawler	SA	UFS
Townsville City Council	QLD	URV
Wellington Council	NSW	URM
West Wimmera Shire Council	VIC	RAL
Western Downs Regional Council	QLD	URM
Wudinna District Council	SA	RAS
Wyndham City Council	VIC	UFL
Yarriambiack Shire Council	VIC	RAL
Bankstown City Council	NSW	UDL
Blue Mountains City Council	NSW	UFL
Warrnambool City Council	VIC	URS

12 Attachment – Data Collection Overview

Below is a representation of the web tool data entry developed to capture the required data. Councils were provided with a unique log-in and were able to indicate that senior management authorisation for the data had been obtained prior to lodgement.



Council

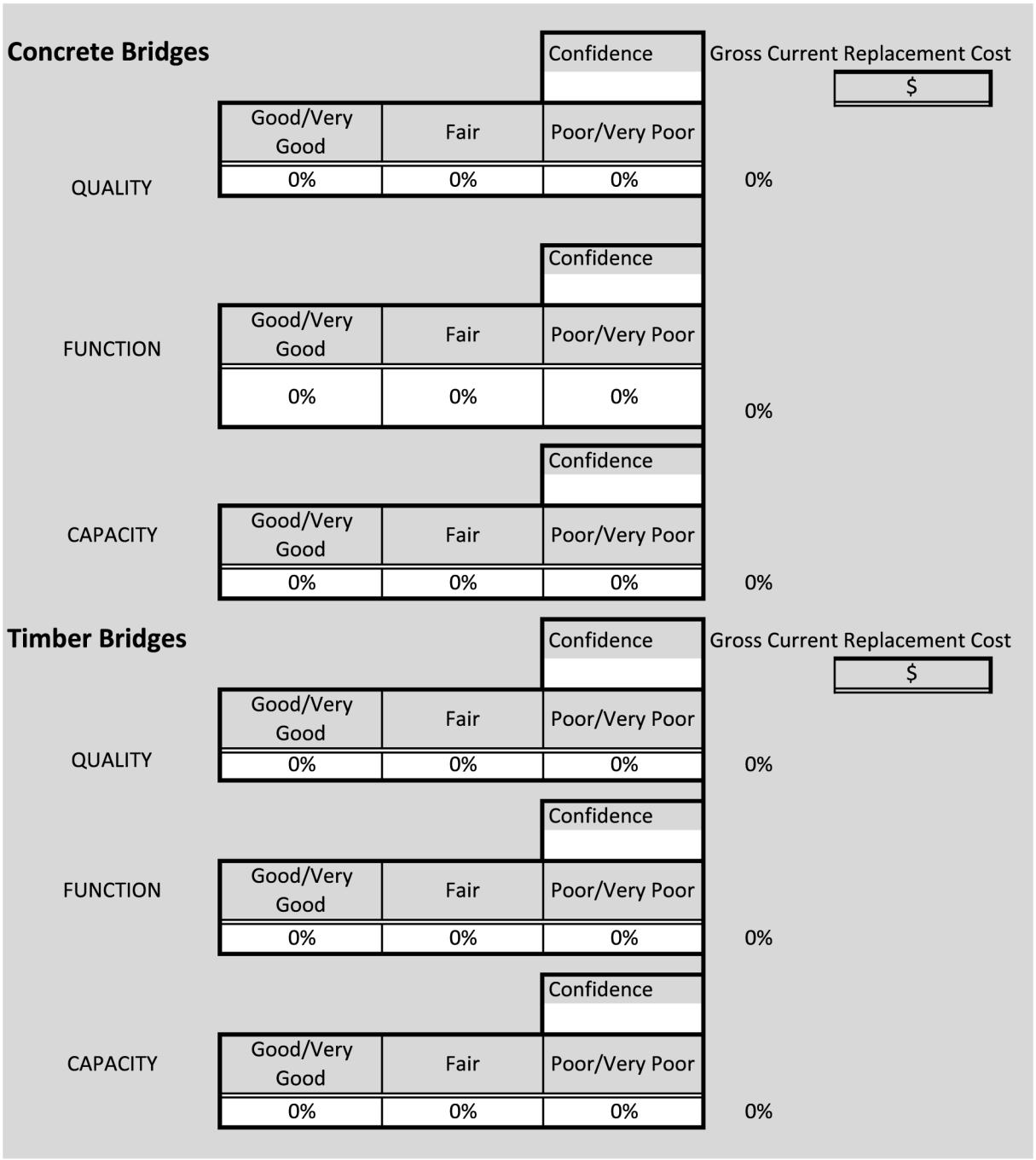
Asset Category Transport

Sealed Roads

	Good/Very Good	Fair	Poor/Very Poor	Confidence	Gross Current Replacement Cost
					$
QUALITY	0%	0%	0%		0%
FUNCTION	0%	0%	0%		0%
CAPACITY	0%	0%	0%		0%

Unsealed Roads

	Good/Very Good	Fair	Poor/Very Poor	Confidence	Gross Current Replacement Cost
					$
QUALITY	0%	0%	0%		0%
FUNCTION	0%	0%	0%		0%
CAPACITY	0%	0%	0%		0%



Concrete Bridges

	Good/Very Good	Fair	Poor/Very Poor	Confidence	Gross Current Replacement Cost $
QUALITY	0%	0%	0%		0%
FUNCTION	0%	0%	0%		0%
CAPACITY	0%	0%	0%		0%

Timber Bridges

	Good/Very Good	Fair	Poor/Very Poor	Confidence	Gross Current Replacement Cost $
QUALITY	0%	0%	0%		0%
FUNCTION	0%	0%	0%		0%
CAPACITY	0%	0%	0%		0%

NATIONAL

State of the Assets

PILOT 2012

A REPORT PREPARED BY JEFF ROORDA AND ASSOCIATES
FOR THE AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

NOVEMBER 2012

AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

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